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Cumulative foreign direct investment in Kazakstan reaches USD 2,631 million

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ABBREVIATIONS	
CIS	Commonwealth of Independent States
FDI	Foreign direct investment
FDIE	Foreign direct investment enterprise
FI	Foreign investment
FIE	Foreign investment enterprise
PLZ	Polish zloty
RF	Russian Federation
ROL	Romanian lei
RUR	Russian Federation rouble
SMEs	Small- and medium-sized enterprises
US	United States
USD	US dollar
VAT	Value-added tax

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REVIEW OF RECENT LEGISLATION

Concession laws and regulations in Bulgaria, Georgia, the Russian Federation, Kazakstan, Ukraine and Uzbekistan: A comparative assessment

Transition economies try to attract foreign direct investment in different ways. One of these is through concession agreements. In 1995-96, concession laws were passed and/or enacted in Bulgaria, Georgia, and Uzbekistan (law on concessions and law on subsoil resources). A Presidential Decree on the utilization of subsoil resources was signed in Kazakstan, the Russian Parliament passed a law on production sharing, and the Ukrainian Cabinet of Ministers issued an edict on the participation of foreign legal entities in the development of mineral resources.

Through these legal acts, the above countries have granted concessionary rights to foreign investors, permitting them to extract natural resources and carry out related economic activities. The legal acts define a concession as a leasing agreement between the state and interested parties. It enables prospective investors to conduct business in areas which were previously monopolized by the state. The rights of foreign investors are protected and guaranteed by the concession agreement and by other laws relating to foreign investment.

Principles and scope of concession agreements

The principles underlying concession agreements are common to all six countries. The concession confers to the concessionaire the right to use land and natural resources, and to conduct specific business activities for a determined number of years. Concessionaires are selected on a competitive basis through auction or tender, where appropriate. Finally, the concessionaire agrees to comply with the labour, social security and environmental protection legislation. In return, the state contracts to not interfere with the concessionaire's operations.

Concessions can be granted for a number of different types of activities. In Georgia, Kazakstan, Russia, Ukraine and Uzbekistan the current legislation only covers geological prospecting, exploration, and the extraction of oil, gas and other underground resources. Similarly, the Kazak Decree does not govern the processing of minerals (as opposed to their extraction) from mineral raw materials. In Uzbekistan there are two separate laws on concessions and on subsoil resources, even though the first law (on concessions) primarily relates to the exploitation of mineral resources.

In Kazakstan the distinction is made between use of commonly found minerals (including underground waters) and other types of subsoil resources. In the first case, the owner of the land plot where such minerals are found may receive a permanent right to use them free-of-charge. The general rule, however, is that such rights are granted by the state on a temporary and payable basis, and require a special license and a contract with the state.

At the same time, in Bulgaria the list of areas opened for concessions is fairly wide. Concession agreements are available for the storage and transport of energy resources and products by pipeline, the provision of postal, telecommunications and passenger transport services, the utilization of nuclear power, the production of radioactive materials, weapons and explosives, and any other activities where the state has a monopoiy.

Duration of concessions

The duration of concessions varies between states. In Uzbekistan and Bulgaria, the initial agreement is for a maximum period of 15 and 35 years, respectively. If desired, this term may be extended by applying to the appropriate authorities (in Bulgaria, however, the cumulative period of any concession may not exceed 50 years). The longest initial agreement period is allowed in Georgia, where parties may agree to a concession ranging from a minimum of 5 years to a maximum of 50 years.

In Kazakstan the duration of a contract and a license depends on the type of activity. Exploration licenses are granted for a period of up to 6 years, and those for extraction for up to 25 years. Combined licenses that may include exploration and production terms are also available.

The Ukrainian edict makes no reference to a maximum duration of the agreement. This is also the case of the Russian law on production sharing, which states that the duration of a contract is defined by the relevant legislation and that the agreement may be extended at the request of the investor. An extension is granted for a period during which the exploitation is economically justified, with due regard for ecological considerations.

Parties to concession agreements

In Georgia, foreign legal and natural persons, and foreign state and international organizations all are eligible to compete for concessions. In Bulgaria, this holds for any Bulgarian, foreign natural or legal person who has registered as a merchant. The situation is not clear in

Uzbekistan, as the relevant laws refer only to agreements made with foreign investors. The Ukrainian Edict is also limited to relations with foreign companies. The latter states that the initiative for reaching a concession agreement may come either from foreign legal entities or Parliament and regional authorities.

In Russia, eligible partners to contracts on the use of subsoil resources include domestic and foreign individuals, legal entities and groups of legal entities established for the purpose of implementing concrete projects. In Kazakstan this list also includes foreign legal entities, foreign states and international organizations.

Requirements for organizing a tender or auction

The Bulgarian concession law lists detailed requirements for competitors in the tender. It is necessary to pay an admission fee to the tender or auction and present a number of documents, including financial records for the last three years. Applicants must also submit comprehensive plans detailing their development proposals for the concession.

The Ukrainian regulations require a bidder to submit an auditing certificate stating the company's financial status and its capital, as well as the results of the ecological and economic expertise of its bid (conducted at the cost of the bidder). In Kazakstan similar stipulations apply at a later stage, when the contract is signed.

Concession proposals are prepared by the relevant state authority and are publicly advertised. In all countries, expert commissions are set up to examine each proposal. Factors taken into account include the environmental, social, technological, financial and defense implications of granting the concession. Notice is then given by publication and bids are invited between three to five months after the appearance of the notice.

Based on the results of the tender the authorized governmental body (usually the Cabinet of Ministers) endorses the winner. Such a decision forms the basis for an agreement to be concluded with the respective state ministry and for the delivery of licenses, if necessary.[1]

The Bulgarian law contains a detailed procedure of organizing a tender or auction and making a decision on its winner. The relevant expert commission considers the results of the tenders and auctions, and submits a draft decision to the Council of Ministers (CM) for approval. The CM decision is published in the Official Gazette and authorizes the relevant ministry to conclude a contract with the selected company . The legality of that decision may be challenged within seven days after its official publication.

According to the Russian law, the need to enter a competitive contest to obtain a concession may be waived in the following cases:

- if it is stipulated by the relevant provisions of federal laws on subsoil resources;

- if one bidder has applied (in this case an agreement may be signed with this particular bidder);

- if, on the date of the current law's enactment, the investor already possesses a land site in conformity with the already concluded concession agreement;

- in cases (subject to approval of the Government) when negotiations with the investor started before the current law entered into force.

Concession agreement provisions

Provisions contained in the concession agreement are common to the legal acts analyzed. The following items are included in the typical Bulgarian concession agreement:

- the object of concession and duration of the agreement;

- the method of selecting the concessionaire (tender or auction);

- the basic rights and obligations of both parties arising from the concession;

- the commencement date and terms of exercise of the concession;

- the type and amount of performance bonds under the concession;

- the type and amount of royalty payments, and details of other payments and taxes under the concession;

- requirements relating to the protection of the environment, areas or sites protected by law;

- any ban on the disposition and encumbrance of the concession and on any other related rights;

- the liability for non-performance of the contractual obligations;

- verification of the obligations by the contracting parties;

- dispute settlement;

- the grounds for terminating the contract prior to its expiration date and the rights of the party not at fault;

- any other terms which the parties have individually negotiated.

Rights of the parties

A successful applicant is granted a number of rights. In Georgia and Uzbekistan, he has the right to conduct business and hire national and foreign citizens. Furthermore, the business operator can use existing infrastructures, rent warehouses and other commercial premises and take advantage of tax and import duty incentives. Operators also have the right to transfer abroad all profits after the payment of taxes and duties.

Kazak regulations declare the rights of an exploration license holder to obtain a production license in the event of

a discovery. In Russia, the law asserts the investors right of free access to pipelines and other types of transport and storage facilities.

Concessionaires must comply with a number of obligations once their bids are accepted. For example, in Uzbekistan, the concessionaire is obliged to insure concession agreement risks, concession activity and employees. The Georgian law stipulates that the concessionaire must pay a fine in the event of his breach of the agreement and reimburse damages for the depletion of raw material supplies or environmental damage. The concession property must be insured, as required by the respective regulations.

In Russia, the investor must respect ecological, safety and public health requirements and conduct necessary clean-up operations of the territory after the concession expires. Ecological damage in the event of accidents must be insured. Partners may choose to use international norms and standards (ecological, health, etc.) subject to their approval by the competent state agency.

In all regulations considered, the rights under a concession agreement may be transferred to third parties upon permission of the state agency or body which is party to the contract (under previous Kazak regulations licenses were not transferable). In Russia, investor's rights and obligations may only be transferred to persons (legal or physical) which possess the necessary financial and technical resources, and managerial expertise to handle the project.

Amending and terminating a concession agreement

The Bulgarian law states that during the concession term, should there arise circumstances which jeopardize national security or defense, the environment, areas or sites protected by law, or public order the contracting parties may alter the clauses of the contract or terminate the contract either by mutual consent or unilaterally. The concessionaire has the right to claim compensation for any such changes and for damages caused by the termination of the contract.

In Georgia, the agreement may be terminated in conformity with leasehold and foreign investment legislation, through mutual consent or by court decision. In Bulgaria, termination is automatic upon the expiration of the agreement term, the death of a concessionaire, bankruptcy, mutual consent, a court decision or arbitration award, a violation of the terms of the agreement by either party, and on other grounds stipulated by the contract under current legislation. If the agreement collapses prematurely, the state becomes a priority creditor. Similar conditions apply in Uzbekistan, with additional grounds for termination for the non-disclosure of authentic information at the conclusion of the agreement. In Kazakstan the contract may be declared void if the relevant license is declared void, or the contract was issued in disagreement with legislation.

The Russian law compares favorably with those of other countries, declaring the stability of all terms and conditions of the concession during the life of the agreement. At the same time, the law says (article 17.1) that conditions of the contract may be changed upon mutual consent of the parties or at the request of one of the parties in case of a "serious change of circumstances," introducing an element of ambiguity. Importantly, the law states that if a law enacted after the agreement is signed provides for less favourable economic conditions, then the old stipulations will apply.

The procedure for resolving disputes is similar in all the laws surveyed generally regarding court settlements. Disputes between the concessionaire and concession body in Uzbekistan are resolved by the economic courts of Uzbekistan. Other disputes between concessionaires and state enterprises or other legal entities are settled by the local courts or through foreign arbitration, depending on what was agreed in the concession document. In Georgia, if the dispute is not resolved by negotiation, then recourse can be made to the courts. In Kazakstan, the parties, irrespective of their nationality, are free to choose either the local or foreign law to settle disagreements, unless Kazak regulations explicitly require otherwise. In Russia, disputes may be settled locally through the courts or arbitrage, or through foreign arbitrage.

Specific provisions of the Russian law on production-sharing

The Russian law on production sharing contains a number of additional provisions governing relations between the state and the investor.

The production-sharing agreement must establish an agency or operator responsible for its execution, including all required accounting. The investor is responsible *vis-à-vis* the Government for the actions of the operator appointed by him. The production-sharing agreement must provide the following estimates:

- general volume of the production and its value;

- share of the production compensating the concessionaire for the capital investment;

- distribution of the remaining produce between the Government and the investor, and the Government's share in kind or in money terms.

On behalf of the state, the agreement is signed by the representatives of the federal Government and (if this is the case) by the local authorities in which territory the object of the concession is situated. The list of territories and land sites which are to be offered for concessions under the present law is to be approved by the Parliament.

The law requires that the investor give preference (all other conditions being equal) to domestic companies when dealing with transportation, supply and sub-contracting. A certain part of the technological equipment must be bought locally in exchange for deliveries of raw materials.

The law states that all forms of property bought or created by the concessionaire for the purpose of implementing the project shall remain the property of the same. Rights to this property may pass to the Government either when the agreement is terminated, or when the assets have paid off, if the contract does not stipulate otherwise. All geological, ecological and other information obtained by the investor during the implementation of the agreement belongs to the Government.

Under a production-sharing agreement, an investor is subject only to corporate tax and payments for the use of natural resources. The corporate tax rate is fixed at the time the agreement is signed. Payments for the use of natural resources by the concessionaire include:

- one-time payments (bonuses) paid at the time the agreement is concluded and/or upon achieving certain production ceilings;

- annual payments (rentals) for geological prospecting operations;.

- regular payments (royalties) as a share of the extracted minerals or the value of their production to be paid in money or in kind.

Mineral raw materials received by the investor may be exported without export licenses.

* * *

The legislation analyzed above creates a basic legal framework for concession operations. At the same time, with the exception of Bulgaria, in all countries surveyed the scope of concession contracts is limited to the development of mineral resources. There is a general understanding in these countries that the scope of concession possibilities should be expanded to other sectors. For example, in Russia a special law on concessions has been submitted to Parliament.

In view of the long duration and huge investment associated with concession agreements, one of the major concerns to concessionaires is the stability of the legal and economic environment during the implementation of the project. In this respect, it should be noted that all legal acts mentioned above call for the stability of legal and business conditions for the investor, but only few of them provide the mechanism to enforce these guarantees.

Moreover, in several countries, the state actually reserves the right to revise the terms of a concession. Such revisions may be justified by various reasons (national security, defense, etc.), and are defined so broadly that they risk causing confusion among potential investors.

The Bulgarian concession law, the Russian production-sharing law, the Kazak Presidential Decree on the use of underground resources and the Uzbek law on underground resources seem to be the most comprehensive. In the other countries examined, the use of mineral resources legislation, as well as concession laws in general, require further elaboration by their respective government bodies.

[1] In Kazakstan, for example, the user of mineral resources should apply for different licenses (exploration, production, construction and/or operation of underground facilities not related to the production of minerals, combined exploration/production) depending on the particular type of the concession activity.

Poland:

New liberalisation of foreign investment laws

At the beginning of April 1996, the President signed amendments to the laws previously passed by the Parliament which concern foreigners' rights to acquire land and the operations of companies with foreign participation.

The adoption of the new regulations was brought about by the Government's willingness to bring the Polish rules into conformity with the relevant provisions of the OECD countries, with a view to Poland's application for membership in this organization.

The new laws will allow joint ventures to buy land plots of up to 0.4 hectares in urban areas and up to 0.8 hectares in rural areas without governmental approval. The purchase of larger parcels, however, will still be subject to government approval.

Physical persons, including foreign nationals, will no longer be restricted from buying apartments and houses. To purchase the latter, an individual must be a permanent resident and have lived in the country for more than five years. Previously, any purchase of land, housing or other real estate by foreign physical or legal persons required the prior approval of the ministry of internal affairs. For the purpose of these regulations, a foreigner was defined as: an individual without Polish citizenship; a corporate body which is based abroad; a corporate body based in Poland but controlled by an individual without Polish citizenship or by a company based abroad (control meaning direct or indirect ownership of at least 50 per cent of the company's share capital).

The amendments relating to companies with foreign participation introduce the same regime of operations for all companies irrespective of the nature of their capital. They abolish current sectoral restrictions on joint venture operations (international and inter-city communications, TV, airline companies, lotteries, etc.). Thus, joint ventures which would like to engage in activities such as dealing in real estate or acting as an intermediary in real estate transactions, wholesale trading in imported consumer

goods, defense industry procurement (sectors covered by licensing requirements), or providing legal services will no longer be required to obtain government permission to establish a company.

Permission to start such operations will still be needed in cases when: the capital for a new company has not been yet deposited with a Polish bank; foreign currency for this purpose was not converted into local currency in accordance with the rules set by the National Bank; a joint venture contract allows the use or acquisition of state assets; the state entity contributes its assets to the capital of the company with foreign participation.

After the liberalization of the foreign exchange operations in February-April 1996, joint ventures are now allowed to sell foreign currency to authorized Polish banks and use the PLZ equivalent to increase the capital of their companies. They may also buy foreign currency in Polish banks and transfer it abroad without applying for special permission.

Joint ventures in Poland are permitted to sell their shares and issue bonds with maturities of up to one year. These operations are limited by a ceiling of ECU 200 million. The Government also simplified the administrative procedure for such operations by requiring only one authorization (under the old rules such transactions required the consent from the National Bank and from the Commission on securities).

On the other hand, the rules governing the operation of Polish companies in the OECD countries have been significantly liberalized as well. Polish businessmen now have the right to make direct and portfolio investments, found new companies or purchase existing businesses, and acquire real estate for their activities. Moreover, subject to certain limits, individuals are also allowed to buy real estate in their own capacity.

* * *

Another long-debated foreign investment issue is the opening of the Polish market to the operations of the foreign insurance companies. For the time being, the Government decided that it is not ready for such liberalization, but committed itself to create the necessary pre-requisites for it during the coming years. This process is to be finalized by the end of 1988, so that foreign insurance companies will be able to start their operations as of 1 January 1999.

Hungary:

New banking and foreign exchange regulations

In March 1996 the Hungarian Parliament amended the country's banking laws. These amendments concern the confidential information which banks may be asked to provide to tax authorities, previously protected by banking secrecy rules. The new provisions will allow certain state law enforcement agencies (tax, customs and others) to access otherwise confidential information in cases involving tax fraud and/or other illegal activities.

These amendments bring the Hungarian banking legislation into line with the relevant requirements set by the OECD. It should be noted that on 29 March 1996 an agreement between Hungary and OECD on the Hungarian membership in this organization was signed.

Between February and April 1996, the National Bank liberalized its rules on the purchase of government bonds by foreigners. Foreign investors are now free to buy any previously issued or new bonds with maturities of 365 days or more. The only exception under this regulation is the barring of foreigners from purchasing Treasury bills. Under the new foreign exchange law (analyzed below) the rules for securities circulation differ depending on the period of their maturity. Thus, foreigners must still obtain the authorization of the National Bank to buy bonds with maturities of less than 365 days.

On 1 January 1996 a new foreign exchange law entered into force. This new law regulates the purchase and use of foreign exchange in Hungary, and its most important provisions will be summarized in this and in forthcoming issues of this newsletter.

Regulation of trade in foreign exchange

In principle, residents and non-residents in Hungary may buy, sell or convert foreign currencies and foreign exchange (i.e. claims in a foreign currency) through an authorized financial institution. They may also convert foreign currencies and cheques (or other instruments in lieu of cash) in money exchange offices.

The National Bank of Hungary (NB) issues regulations on the exchange rates applicable to forints and acts as the foreign exchange authority.

Licensing and reporting

A permit from the foreign exchange authority is required to conclude a contract or to effect a financial transaction involving a transfer of foreign currency or domestic payment instruments abroad. The law also explicitly prohibits any payment obligations between residents calling for actual provision of foreign currency.

The authorized financial institution, through which the operations with foreign currencies are carried out, must see that the foreign currency is used for the purpose indicated upon its purchase or for a purpose which does not require a license or prior reporting. In the latter case, the resident is obliged to report the different use within eight days.

The authorization of the foreign exchange authority (NB) is not required for transactions relating to private travel.

The law stipulates that, with few exceptions, residents transfer all receipts in foreign currency received or obtained abroad to Hungary to be subsequently converted into national currency. A resident must report any claims in foreign currency against a non-resident, claims for real property abroad, or claims for interest in a foreign enterprise to the NB within eight days of becoming aware of them. Importantly, exceptions to this rule are granted for revenues of a foreign representation used for its maintenance, and yields received from an enterprise abroad established with the participation of a resident.

The foreign currency transferred to Hungary may under certain conditions be placed in a foreign currency account. If this is not the case, the foreign currency must be converted into forints.

Purchase of foreign currency by residents

Enterprises, organizations and private individuals pursuing foreign trade activities may buy foreign currency for use as payment (other than capital transactions) to non-residents as well as for their expenses for business trips abroad and foreign representations. Private individuals may also acquire foreign currency for transfers (other than capital transactions) to non-residents abroad and for travel purposes.

After the purchase, the resident is obliged to transfer the foreign currency without delay to the credit of the non-resident abroad or to a domestic financial institution.

Purchase of foreign currency by non-residents

A private individual qualifying as non-resident may buy foreign currency using forints up to the amount of: his transfer to Hungary, refunds of value added tax, and current payment transaction requirements.

Rules of payment

In the framework of its international economic activities (foreign trade, transport, postal and telecommunication services, travel organizations, artists' agencies, news services and insurance) an enterprise may make or accept payments in either forints or foreign currency. Settlements within Hungary, however, with few exceptions, are to be paid in forints.

Payment transactions between resident insurance companies and non-residents may take place in convertible currency or via the non-residents' convertible forint accounts.

Romania:

Foreign exchange regulations

In the spring of 1996, the National Bank introduced measures aimed at avoiding speculation in the foreign exchange market, and on stabilizing the local currency.[1]

In February 1996, the National Bank instituted restrictions on the amounts of currency banks and exchange houses were allowed to keep and were obliged to sell at the end of each day. Regulations require banks to sell all currency exceeding 10 per cent of their own funds to the National Bank at a fixed exchange rate (often lower than its market counterpart).

The National Bank also raised the minimum capital requirements for newly established financial institutions. The new floor of ROL 25 billion (USD 9.5 million) for registered capital must be subscribed entirely, with at least half of it paid-in when establishing a new bank. The balance is to be paid within two years from the date of the new bank's establishment.

The already existing banking institutions which do not meet the above-mentioned criteria will have to reach the required level in successive stages over three years: ROL 12 billion (ROL 8 billion for banks which began operations before 27 June 1995) by the end of 1996; ROL 18 billion by the end of 1997 and ROL 25 billion by the end of 1998.

Other governmental regulations require legal entities which possess foreign currency in their accounts and at the same time have debts with domestic creditors (with arrears exceeding 60 days) are obliged to settle payments due by selling their foreign currency holdings. Companies are exempted from this requirement only if they have to deliver short-term production import payments and/or reimburse foreign credits.

The National Bank announced that recent measures are meant to ensure the balanced development of the domestic foreign exchange market. In the future, the Bank will introduce more rigid criteria for banks and companies desiring to operate as intermediaries on the foreign exchange market.

* * *

In the area of bilateral cooperation, in April 1996 Romania and Canada signed an agreement on the promotion and mutual protection of investments.

[1] Before adopting the new regulations, the National Bank withdrew the foreign exchange licenses from all domestic banks, thereby prohibiting them from acting as dealers on the domestic foreign exchange market. All but four banks (three of them state-owned and one-private) lost their licenses. Other banks will no longer be able to conduct foreign currency operations on their own account. They will, however, be allowed to buy currency at the request and using the assest of their clients at an exchange rate set by dealer companies.

IN BRIEF

Albania

In March 1996 the Parliament passed a new law on insurance. The law allows private companies access to insurance and re-insurance activities (which in the past was under state monopoly), establishes the juridical forms of legal entities in these areas, their minimum capital requirements, etc.

In April 1996 the Parliament adopted laws on the central bank and on banking system. These acts will serve as a legal basis for the transformation of the banking sector and bring the banking infrastructure in line with the requirements of the current market economy reforms.

The Government also announced that as from 1 July 1996 the turnover tax will be replaced by a VAT. It is expected that the new measure will help modernize the country's fiscal and tax system. The Government also granted additional rights to tax authorities to ensure the timely and correct collection of taxes, including VAT.

Belarus

On 9 April 1996 the President signed a decree on the nationalization of the Minsk Interbank Foreign Exchange, which is a joint stock company owned primarily by commercial banks. In accordance with the decree, the Interbank foreign exchange will be turned into a state agency supervised by the National Bank. The former shareholders will be compensated by the state.

This measure is seen by experts as an effort by the state to strengthen its influence on the domestic foreign exchange market and to exercise efficient control over operations with foreign currency.

* * *

During the Belarus Prime Minister's visit to Bulgaria in February 1996, a number of bilateral agreements were signed on matters such as the reciprocal protection of investments and on trade and cooperation.

Another agreement, which is expected to stimulate the foreign trade of Belarus, particulary with the European Union, was signed in Brussels in 25 March 1996. The interim agreement will regulate trade relations while the previously signed partnership and cooperation agreement is in the process of ratification by EU member states. The interim agreement provides for most favoured nation status for both sides, abolishes most quantitative restrictions in mutual trade, simplifies procedures of customs inspection and clearance, etc.

Bulgaria

In April 1996 the Parliament passed amendments to the Ownership Law. These amendments concern the rights of foreigners to purchase land. Foreign natural and legal persons are barred from acquiring ownership rights over land with the only exception being succession by law. But even in this case they must dispose of their property over a three-year period.

Foreigners may be permitted, on an individual basis, to purchase buildings and other immovable property by special decision of the Council of Ministers, unless explicitly prohibited by the law.

In another development of interest to foreign operators in the Bulgarian market, in February 1996 the Parliament introduced amendments to the law on taxes which call for the mandatory registration of representation offices and wholly owned subsidiaries of foreign companies in Bulgaria for tax purposes.

Tax registration of representation and subsidiary offices will help verify that the staff of foreign companies pay the correct amount of income tax and social security contributions, and that the foreign parent company pay its tax liability, if any.

The Parliament also authorized the creation of a special agency to deal with tax evasion and empowered relevant services with additional rights to enforce tax regulations.

CIS

On 30 March 1996 Belarus, Kazakstan, Kyrgyzstan and the Russian Federation signed an agreement creating a common market in goods and services, and taking steps toward the closer integration of industrial and social policies.

The agreement is valid for five years and will be prolonged automatically unless a member state informs the others of its decision to quit it. The agreement is open to the accession of other CIS countries. In practice, the integration mechanism will be developed through more than 50 inter-state agreements on different issues. The agreement calls for establishing new supervisory bodies (Supreme Council, Integration Committee and Parliamentary Congress) to monitor the integration process.

Even closer cooperation is provided for by another agreement concluded on 2 April 1996 between Belarus and the Russian Federation on the formation of the Community of Sovereign States which is also open to other CIS countries. The two countries, while retaining their sovereignty, independence and territorial integrity, agreed to coordinate their foreign policy, to attempt harmonize their stances on key international issues, interact to ensure security and the protection of their borders, etc.

In order to form a single economic space and ensure the effective functioning of the common market, that is, the free movement of goods, services, capital and labour, the two countries will start to coordinate the stages and sequencing of economic reforms. They will also attempt

to create a single regulatory and legal framework aimed at removing inter-state barriers to goods, capital and labour.

Russia and Belarus will create a supreme council, a parliamentary assembly, and an executive committee. The latter's functions will include the formation of a single legal framework and the adoption of measures aimed at unifying monetary, credit, taxation and budgetary systems, and establishing the preconditions for the introduction of a single currency.

Russian Federation

On 7 March 1996 the President signed a new decree on the implementation of the constitutional land rights of citizens. The decree concerns the relations between the state bodies and those citizens who currently possess agricultural plots or would like to receive them.

Previously, regulations required the consent of the majority of the members of the collective or state farm to allocate land parcels to those who opt to quit the farm, making it almost impossible for a farmer to enjoy his land rights. The decree is expected, in particular, to accelerate land privatization by making it easier for the members of collective farms to obtain land plots for individual farming.

In March 1996 the new regulations on mortgages, as provided by the Presidential Decree of 28 February 1996 on additional measures on the development of collateral credits, entered into force. The decree creates the basic legal and organizational framework for the effective development of the real estate market.

The decree describes the procedure for mortgaging property as collateral for credit. In the past, the ambiguity over property rights was a major obstacle: it was not easy for a bank to verify the validity of property titles and to check whether it had been previously mortgaged or had any claims against it. The decree addresses this problem by introducing a mandatory state registration of property titles on real estate and of all transactions. To this end, the decree calls for a special federal programme and the eventual creation of a combined register for the whole country.

At the same time, the decree does not fully resolve the problem of land ownership. It allows the mortgage of buildings only with the simultaneous mortgage of the land plots on which the immovable property is located. The owner of the building cannot use it as a collateral for a credit if the land parcel is leased. In view of the existing difficulties of purchasing land and the preference of the state to lease it, the new decree excludes all leaseholders from the advantages of secured lending.

The decree does not cover certain important issues, such as the problem of lender compensation in case the borrower defaults, hindering the implementation of the new requirements.

* * *

In January 1996, the Central Bank opened the domestic state securities market to foreign investors. It also introduced certain restrictions on security market operations by non-resident brokers. Such brokers are allowed to convert foreign currency into roubles and buy short-term government bonds and treasury bills. At the same time, yields on these securities received in RUR will have to be converted to foreign currency at a fixed exchange rate. The participation of non-residents is limited to primary trading, that is, the purchase of bonds at auctions, while access to the secondary market is denied.

Currently, foreign market presence is restricted to ten per cent of the total operating volume, but the Cetnral Bank is planning to raise this ceiling to 15 per cent by autumn 1996.

Slovakia

In March 1996, the Parliament passed a law on the protection of deposits. The law makes protection obligatory and its level uniform for all Slovak banks (previously such protection was offered only by a few of the largest banks).

Foreign banks operating in Slovenia will be obliged to join this scheme if similar regulations in their country of origin provide for a smaller amount of coverage.

According to the new law, all banks, including branches of foreign banks, will have to reapply for their licenses by 1 September 1996.

* * *

At the end of March 1996, the Slovak-Turkmen intergovernmental economic commission signed a number of bilateral agreements on various matters, including the protection of mutal investments and the avoidance of double taxation.

STATISTICAL INFORMATION

General Developments

The following table (Table 1) summarizes the most recent information available to the UN/ECE secretariat on foreign direct investment stock in the countries of central and eastern Europe and the former Soviet Union.

TABLE 1

Foreign (direct) investment stock in European transition economies by year

	FDI stock (USD million)								*Annual growth rate (per cent)*		
Country	*1.01.1992*	*1.01.1993*	*1.01.1994*	*1.01.1995*	*1.07.1995*[c]	*1.10.1995*[c]	*1.01.1996*[c]	*1.04.1996*[c]	*1992*	*1993*	*1994*
Belarus[a]	...	...	263.6	286.8	298.9	316.7	330.7	...	...	...	8.8
Bulgaria[c]	14.1	64.9	195.3	429.4	516.6	525.5	532.3	...	329.4	253.6	119.8
Czech Republic[b]	595.1	1598.3	2166.3	3028.7	3431.2	5012.9	5635.9	...	168.6	35.5	39.8
Estonia[b]	...	58.6	221.1	441.5	528.5	608.0	...	...	...	277.3	99.7
Hungary	3137.0	5501.9	8342.0	9907.7	10962.7	11181.7	...	...	75.4	51.6	18.8
Latvia	...	33.4	74.6	294.3	380.0[d]	...	...	...	...	123.4	294.5
Lithuania[a]	34.4	74.0	191.6	241.9	253.1	265.1	...	...	115.1	158.9	26.3
Moldova	...	...	7.2	24.8	32.2	81.9	...	...	...	...	243.3
Poland	479.5	1644.1	2542.5	3574.2	3910.2	4140.5	...	...	242.9	54.6	40.6
Romania[a]	225.8	516.2	651.9	1288.6	1405.7	1504.0	1597.2	1721.0	128.6	26.3	97.7
Russian Federation[c]	...	...	2433.4	3649.5	4109.8	4690.2	5526.5	...	...	...	50.0
Slovakia[a]	...	231.2	366.0	551.7	585.1	...	...	...	...	58.3	50.7
Ukraine[b]	...	...	219.4	450.1	566.4	650.3	750.1	990.4	...	...	105.2
SUB-TOTAL	...	...	17748.3	23419.1	25196.9	...	...	...	...	...	32.0
Albania	...	...	144.0	200.0[d]	...	...	...	...	...	...	38.9
Croatia[a]	...	383.2	678.6	933.0	...	...	...	...	...	77.1	37.5
Kazakhstan	...	...	...	1907.2	...	...	2630.6	...	...	...	...
Macedonia, F.Y.R. of[a]	11.9	14.1	14.9	34.0	39.6	40.7	...	...	18.6	5.8	128.1
Slovenia[f]	...	...	851.0	1258.3	1346.8	1385.0	...	...	...	...	47.9
TOTAL	...	...	19436.9	27751.6	...	...	...	...	...	...	42.8

... Data unreported or not yet available.

[a] Cumulative foreign component of foreign investment enterprises' (FIEs') statutory capitals.

[b] Cumulative balance-of-payments FDI inflows.

[c] Preliminary data.

[d] UN/ECE secretariat estimate.

[e] Revised data.

[f] At end-of-year exchange rates.

Note: Values in national currencies converted into US dollars at historical yearly (quarterly or half-yearly) average exchange rates.

Source: UN/ECE secretariat - national statistics.

Highlights of FDI in Kazakhstan

While detailed information on foreign direct investment in Kazakhstan is not yet available to the UN/ECE secretariat, the recently obtained data from the Kazakh State Committee on Statistics and Analysis show that by the beginning of 1996, the *cumulative value of FDI* in that country had reached USD 2,630.6 million, of which 723.3 million (or 27 per cent) were invested in 1995.

The increase in FDI in 1995 was largely linked with management contracts agreed upon that year. As much as USD 274.2 million worth of investment (or 38 per cent of the FDI stock increment in 1995) was made in domestic enterprises managed by foreign companies under such contracts.

The *number of operational FDI enterprises* increased from 491 in 1994 to 736 in 1995, that is, by one half. The available statistics indicate that at the beginning of 1996, the FDI stock in Kazakhstan was highly concentrated in few *industries*. On that date, almost 45 per cent of the total was invested in mining, of which 43 per cent in oil and gas extraction. FDI in manufacturing was represented by two industries, tobacco and metallurgy, accounting respectively for 37 and 10 per cent of the cumulative stock. Mining, tobacco and metallurgy together had attracted over 90 per cent of FDI to date. One should also note that all foreign direct investment in metallurgy was effected in 1995, its share in the FDI yearly increment standing at over one third.

UN/ECE foreign direct investment series

The UN/ECE secretariat periodically publishes two different series for the stock of foreign direct investment in the transition economies. This note examines the two data sets to facilitate comparison and briefly discuss their respective methodologies.

The *first series* is published quarterly in *East-West Investment News* and is presented in Table 1 of this issue. It consists of three types of data:

- FDI statistics compiled in conformity with accepted international methodology:[1] very briefly, this measure of FDI stock includes the foreign component of the equity capital of an FDI enterprise (or its equivalent for unincorporated enterprises), retained earnings and other reserves attributable to the direct investor, and net indebtedness due to the foreign parent, including dividends declared, but not yet paid to the direct investor. The data are obtained through periodic surveys of operating enterprises conducted by statistical offices, national banks or national agencies for foreign investment. Currently, Hungary, Latvia, the Russian Federation, Poland and Ukraine publish FDI statistics which to various degrees approach the standard methodology,[2] and other countries intend to do so as well. Meanwhile, in order to obtain complete statistical coverage of the transition economies, the other two types of data are resorted to;

- the foreign component of FDI enterprises' statutory capital. In the transition economies, the notion of statutory capital generally covers those monetary and in-kind contributions of foreign (and local) partners in a foreign investment enterprise which are committed at the time the new enterprise is registered. The FDI stock figures are thus a cumulation of the foreign component of the statutory capital of registered foreign investment enterprises. The basic data are assembled by national agencies for foreign investment or national statistical offices. The statistics on statutory capital tend to overstate the value of FDI in operation since companies which fail to start up or go out of business are usually not removed from the registers or subtracted from the stock figures (Romania is an exception). Also, foreign partners may not fully honour the commitments made at the time of registration. On the other hand, these series provide too narrow a measure of the FDI stock since they fail to incorporate any additions to paid-in capital and the capitalization of reinvested earnings;

- cumulative balance of payments FDI inflow. These series are produced by the Czech Republic and Estonia. The comments relating to the stock series produced by the cumulation of flows (see below) apply to these cases as well.

The *second* FDI stock series is published in the annual Economic Survey of Europe and the Economic Bulletin for Europe. Those data are cumulations of annual FDI inflows, i.e. direct investments made by non-residents.[3] The sources are the national balance of payments statistics of the transition economies, which generally reflect investments made in foreign currency through the banking system of the reporting country.[4] For those countries which do not report inflows separately, net flows of FDI are used for the calculations.

Nearly all European transition economies make their balance of payments statistics available on a reasonably timely basis. In principle, the FDI statistics conform to the recommendations of the IMF, although the degree to which they do so in practice appears to vary throughout the region.[5] Investments measured on a cash basis have several shortcomings which can result in the understatement of FDI inflows and the (cumulated) stock figures. They fail to incorporate contributions in kind, i.e. equipment, know-how, trademarks, etc., which are especially important in cases where manufacturing facilities are transferred in from abroad. Moreover, data for the transition economies generally exclude reinvested earnings, the importance of which increases as a source of new FDI after a new or restructured enterprise becomes profitable.[6] On the other hand, cumulated cash flows tend to overstate the actual stock since no adjustments are made for sales, write-downs or write-offs of assets. Flows are cumulated at exchange rates prevailing when the transfer of funds was made.

While the methodological and numerical interrelationship between the various FDI statistical series presented by the UN/ECE secretariat in its publications deserves a special examination, the users of the above-mentioned statistics should be aware of their underlying conceptual differences.

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[1] For definitions and methodology see OECD, *Detailed Benchmark Definition of Foreign Direct Investment*, second edition (Paris), 1992.

[2] Methodologies applied by the individual transition economies and reflected in the UN/ECE FDI stock series are discussed in UN/ECE, *Statistical Survey of Recent Trends in Foreign Investment in East European Countries*, Addendum 1, Problems of Comparability, TRADE/R.624/Add.1 (Geneva), 30 November 1994.

[3] Data for the first half of the year are presented in the Economic Bulletin for Europe (completion in November) and data (or estimates) for the full calendar year are presented in the Economic Survey of Europe (completion in March).

[4] Poland also publishes its annual balance of payments (but not the monthly or quarterly series) containing FDI data on an accrual basis. They derive from annual surveys of Polish direct investors and foreign direct investment enterprises. The flows include capital flows in cash (i.e. equity and inter-company loans), contributions in kind, commercial credits (in goods) and reinvested earnings. However, credits and loans exclude guarantees of related companies. These data are available with a considerably longer lag than the cash data.

[5] IMF, *Balance of Payments Manual*, fifth edition (Washington, DC), 1993.

[6] The FDI statistics of the transition economies are not unique in omitting reinvested earnings. Those of most developing countries and seven OECD countries also fail to incorporate them. OECD, *Financial Market Trends* (Paris), June 1995, table 2.

Foreign investment in Croatia

With an area of 56.6 thousand km^2 and estimated population of 4.78 million in 1994, Croatia falls in the group of relatively small transition economies. The official estimate of GDP at current prices in 1995 is USD 18.1 billion, or USD 3,783 per capita. Among the major manufacturing branches, one notes the production of foodstuffs, chemicals and pharmaceuticals, electrical energy and liquid fuels, ships and textiles. The manufacture of textiles and footwear, chemicals (including pharmaceuticals), fuels and lubricants, electrical equipment, ships and food is export-oriented.

The present overview is based on the statistics communicated to the UN/ECE Secretariat by the Croatian Ministry of Economic Affairs and the Croatian Chamber of Economy. The data refer to the number of registered foreign investment enterprises (FIEs) and the foreign component of their statutory capital, and cover the period of 1992-94. Subsequently, the mandatary registration of FIEs was discontinued, and for this reason the series were not extended into 1995 and 1996.

Growth

During 1992-94, the *number of FIE registrations* in Croatia increased steadily (Table 2). In spite of an unfavourable investment climate, over 2,100 new FIEs were registered each year, and at the start of 1995, the cumulative number of registrations reached 6,840, more than tripling during 1993-94.

Over the same period, the *cumulative foreign component of FIEs' statutory capital* grew at a slower rate (Table 2, Chart 1). Although in each year under review the annual increments exceeded USD 250 million, they tended to decline. In cumulative terms, the value of committed FI stock had reached USD 933 million by the end of 1994, giving a growth factor of 2.4 during 1993-94.

The relatively slow growth of FIEs' statutory capital suggests a decline in their *average capitalization*. Cumulatively, this dropped from USD 175 thousand in 1992 to USD 136 thousand in 1994.

Foreign investors

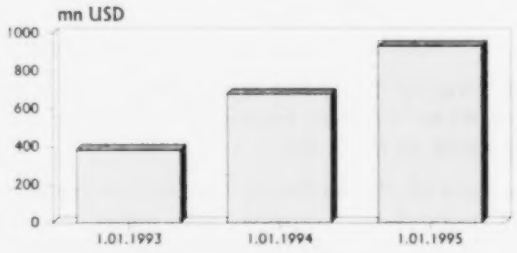
The available distribution of foreign investment by source does not show the position of all the investor countries. This said, during 1992-94, foreign investment in Croatia originated mostly in the member States of the European Union (Table 3, Chart 2). At the end of this period, the share of this region in committed capital from abroad was 59 per cent, while that of western Europe as a whole made up 66 per cent. In terms of FIEs' number, the

TABLE 2
Foreign investement in Croatia by year

	FI stock (USD million)		*FIEs (number)*	
Year	*Increment*	*Cumulative*	*Increment*	*Cumulative*
1.01.1993 (1992)	383.2	383.2	2,184	2,184
1.01.1994 (1993)	295.4	678.6	2,213	4,397
1.01.1995 (1994)	254.4	933.0	2,443	6,840
TOTAL	933.0	933.0	6,840	6,840

Source: UN/ECE secretariat - Croatian Ministry of Economic Affairs and Chamber of Economy.

CHART 1
GROWTH OF FOREIGN INVESTMENT IN CROATIA



FOREIGN COMPONENT OF FIEs' STATUTORY CAPITAL

weight of enterprises from the EU was 55 per cent: a little less than its counterpart in FI stock.

While about 4 per cent of committed foreign investment was accounted for by the US companies (3 per cent of FIEs' number), the share of "other countries", including developing and transition economies (other than successor states of the former Yugoslavia), amounted to 22 per cent (13 per cent in terms of number).

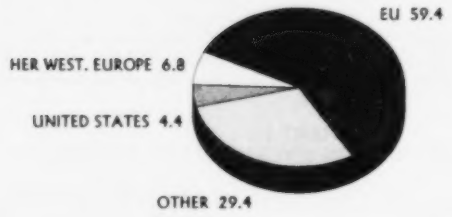
During 1992-94, Germany, with over one-third (almost 36 per cent) of the total FI stock, was at the top of the list of *major investor countries* (Table 3, Chart 3). It was followed by Austria (14 per cent), Switzerland and Italy (7 per cent, each) and the successor states of the former Yugoslavia taken together (5 per cent). The

TABLE 3
Foreign invetment in Croatia by origin of foreign investor, 1992-94

Country/region	*FI stock (USD million)*	*FIEs (number)*
Western Europe:	617.2	3,996
EU:	554.2	3,789
Austria	130.0	669
France	3.7	65
Germany	334.1	1,526
Ireland	9.7	31
Italy	62.5	1,374
Netherlands	0.9	22
United Kingdom	13.3	102
Other Europe:	63.0	207
Switzerland	63.0	207
Australia	2.6	47
Canada	19.2	92
United States	41.1	201
Former-Yugoslavia	47.2	1,594
Other countries	205.7	910
TOTAL	933.0	6,840

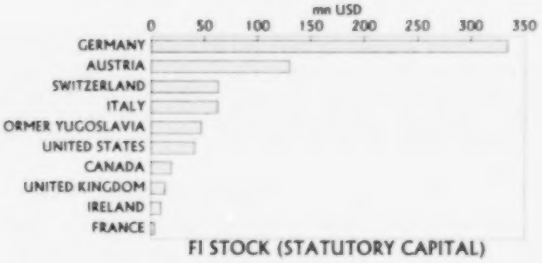
Source: UN/ECE Secretariat - Croatian Ministry of Economic Affairs and Chamber of Economy.

CHART 2
FOREIGN INVESTMENT IN CROATIA
BY ORIGIN OF FOREIGN INVESTOR



FI STOCK (STATUTORY CAPITAL) As of 1.01.95

CHART 3
FOREIGN INVESTMENT IN CROATIA
BY MAJOR FOREIGN INVESTOR COUNTRY



As of 1.01.95

combined share of the top-five aggregated investors in FI stock was 68 per cent at the beginning of 1995, while that of top ten made up 78 per cent.

In terms of the number of FIEs, the concentration rates of major investor countries were higher than in capital. The top-five major investor countries accounted for almost 79 per cent of the total number of registrations, while the ten highest-ranking investor countries claimed 86 per cent. Companies from the successor states of the former Yugoslavia had the largest number of affiliated companies registered in Croatia (23 per cent), while German and Italian investors followed with 22 and 20 per cent of the total, respectively.

NEWS ROUND-UP

Recent and forthcoming meetings

The *Annual Meeting of the Board of Governors* of the European Bank for Reconstruction and Development (EBRD) was held in Sofia, Bulgaria, on 15-16 April 1996. In the tradition of the Bank, the Annual Meeting fulfills two roles. First, it provides the governors with the occasion to consider the Bank's progress over the past year, and to address the challenges and fix the priorities for the year ahead. Second, it offers an important forum for the representatives of the international banking and business community to discuss investment opportunities. Important in this regard is the seminar and country presentation programme. The seminars began on Saturday, 13 April and the formal session of the governors on 15 April.

At the Annual Meeting, the governors on behalf of the Bank's shareholders, agreed to double its capital base to ECU 20 billion (USD 25.2 billion).[1] The new capital base will allow the Bank to increase lending to around ECU 2.5 billion a year by 1999 to assist the economic transition process in countries where the Bank operates. The injection of new capital will be spread over 12 years in order to ease its impact on national budgets. The US, the largest single shareholder with a ten per cent stake, will face payments of ECU 225 million between 1996 and 2009.

One of the issues raised at the meeting was the need to prepare a policy on graduation. This is the question of whether a moment can be defined in the transition of some of the countries in the region when they can no longer be considered eligible to receive loans form the EBRD. This would occur, some have argued, when funds for projects could be raised by the private sector on local and international capital markets. Some countries, according to reports, fear that such a policy, if adopted, would lead the bank to focus increasingly further east on the countries of the former Soviet Union. However, it has been stressed by many countries that it will be some time before countries in the region can be said to have "graduated". Nevertheless, Mr. de Larossiere informed the Annual Meeting that a policy paper would be delivered to the board by the end of the year.

The seminars and country presentations focused on some of the activities and the new orientations of the Bank that were agreed at the last meeting, and on likely orientations for the future.

Seminars were held on the following issues: how to create a legal and regulatory environment for concession financing; municipal and environmental infrastructural financing; investing in central and eastern Europe and the CIS: experience of investing in exclusively domestically owned enterprises; early-stage equity investments in central and eastern Europe and the CIS and key deal structuring issues in Russia; comprehensive privatization and corporate governance; strengthening banks in central and eastern Europe; and the turn-around management programme.

All the countries where the Bank has operations made presentations to the participants. Each country prepared a paper identifying the macroeconomic situation, trade and balance of payments, the legal and regulatory framework for foreign direct investment and some areas where investments were receiving high government priority. For the first time the Government of Bosnia and Herzegovina made a presentation. This country became a member of the EBRD during the weekend of the conference.

The *International Meeting on Developing Export Finance and Insurance in the NIS, and Central and Eastern Europe* was held in London, 11-12 March 1996, and was organized by the International Committee for Economic Reform and Cooperation (Bonn, Germany) in cooperation with the British Know-How Fund and EBRD.

The meeting was attended by about 80 representatives of the transition economies, developed market economies, banks and agencies, and international institutions, including 13 ministers and deputy ministers, from the CIS and central and east European countries.

The following transition economies were represented at the meeting: Armenia, Bulgaria, the Czech Republic, Georgia, Hungary, Kazakstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Poland, the Russian Federation, Romania, Slovakia, Slovenia, Tajikistan, Turkmenistan, and Ukraine. Developed market economies (Austria, Belgium, Finland, France, Germany, Japan, the Netherlands, the United Kingdom, and the United States) were primarily represented by export credit and investment insurance agencies, ex-imbanks and private banks.

[1] The bank has 60 shareholders: 58 governments and two institutions, the European Union and the European Investment Bank.

International and sub-regional organizations which took part in the meeting included: UN/ECE; the British Know-How Fund; the Berne Union; the CIS secretariat; the CIS Interstate Economic Committee; EBRD; Inter-State Council of Kazakstan, Kyrgyzstan and Uzbekistan; OECD; the World Bank (including MIGA) and IFC.

The main agenda items of the meeting were: the main problems of foreign trade in the region (obstacles, barriers, effects of liberalization on intra-regional trade, problems of trade finance, possibilities for a CIS payment union); experience in export finance and insurance (role, advantages and disadvantages of export finance and insurance; experience of west and east European export credit agencies); establishing export finance and insurance agencies (legal and institutional infrastructure, financial and economic criteria, practical problems); international assistance (bilateral and multilateral) to develop export finance and insurance.

On the basis of the discussions on experience and problems of exporters and export credit and insurance agencies both in the west and in the east, the participants agreed that export insurance could be an important tool of overcoming and facilitating many of the trade problems of the transition economies.

For more information on the meeting's proceedings, contact:

The International Committee for Economic Reform and Cooperation
An der Elisabethkirche 25
D-51113 Bonn
Germany

Telephone: +(49) 228 911 940
Fax: +(49) 228 264 589

The international conference *Leasing Business Cooperation 1996*, was held in Moscow on 25-27 March 1996, and was organized by the Russian Association of Leasing Companies, which affiliates all major operators in this market. It was attended by a number of leading private sector companies from Russia and Belarus (InterRosLeasing Co., Baltlease Ltd., LeasingBusiness Co.), as well as several western companies actively engaged in leasing (Liebher-Holding GmbH, DAF Trucks N.V., Tetra Pak, SüdLeasing) and business consultants (Arthur Andersen, Salans Hertzfeld & Heilbronn, Price Waterhouse). The Conference was also attended by the representatives of the EBRD, IFC, UN/ECE and LeaseEurope (European Federation of Equipment Leasing Companies Associations).

The conference focused on the current experiences of leasing in Russia and the CIS, and particular attention was paid to the legal, accounting and tax problems hindering the development of this form of cooperation. Leased equipment accounts for less than 1 per cent of gross investment in the CIS economies, while in developed market economies this percentage may reach up to 20 per cent. Speakers proposed changes to a draft law on leasing, currently under review by the Russian Parliament, that would ensure a clear delineation of lessor-lessee rights, law enforcement and responsibilities, and related tax and import duty regulations. Representatives of foreign leasing companies shared their experience of conducting leasing operations both from abroad and from local subsidiaries. In the context of international leasing, Russian- and Belorussian-based leasing companies defended the idea of international sub-leasing, with the local-based sub-lessor taking responsibility for the performance of local contracts. This form of cooperation may be particularly productive in dealing with SMEs in transition economies.

More information on the conference and its proceedings can be obtained from:

Ms. Elena Bereznova
Deputy Director
Seentext CO
4-A, Dnepropetrovskiy proezd
Moscow 113545
Russian Federation

Telephone: +(7 095) 311 70 69
Fax: +(7 095) 311 11 14

A *Forum on Developing Viable Real Estate Markets in the Transition Economies of Central and Eastern Europe and the CIS* will be held at the Palais des Nations, Geneva, Switzerland, on 24-26 June 1996. The objective of the Forum is to identify the principal constraints preventing the development of efficient fully functional real estate markets in the region and to develop a large action programme addressed to governments and international organisations that can accelerate the development of real estate markets in the countries of central and eastern Europe and the CIS. The Forum will take place under the auspices of the Working Party on International Contract Practices in Industry (WP.5), the UN/ECE's group of legal experts.

The following issues will be examined: legal barriers to buying, leasing and mortgaging real estate; developing skills necessary to carry out real estate transactions; establishing the institutional and administrative pre-conditions for real estate investments; attracting finance for property development.

Participation in the Forum is open to all professional groups with experience and interest in real estate markets in the countries of central and eastern Europe and the CIS, that is: businessmen; real estate experts, valuers and brokers; local and central government officials, the experts from European Bank for Reconstruction and Development (EBRD), the World Bank and leading property firms.

Four working groups will be formed to discuss the issues outlined above. These working groups will comment on, and discuss background papers prepared for the Forum which will then be consolidated into a final document that will be approved by UN/ECE legal experts.

There is no registration fee.

For further information contact:

Director
Trade Division
United Nations Economic Commission for Europe
Palais des Nations
CH-1211 Geneva 10
Switzerland

Telephone: +(41 22) 917 28 38 or 917 27 71
Fax: +(41 22) 917 00 36

The *Workshop on Developing the Basic Concepts of Mining Legislation* will be held in Krasnoyarsk, Russian Federation, on 17-20 June 1996. The purpose of the seminar, organized by the Academy of Mining Sciences and the major Russian coal producing companies, in cooperation with the Energy Division of the United Nations Economic Commission for Europe, is to share experience acquired in the legal regulations of mining activities and draw up proposals on ways and means of improving mining legislation.

The following issues will be discussed during the meetings: state regulation of mineral resource exploitation in mining sectors; legal problems arising in investment policy in mining sectors; legal regulation to protect the environment and ensure safe operations in the exploitation of mineral deposits; legal problems involved in the regulation of intersectoral links; economic incentives for the application of mining legislation.

For further information, contact:

Energy Division
United Nations Economic Commission for Europe
Palais des Nations
CH-1211 Geneva 10
Switzerland

Telephone: +(41 22) 917 2444 or 917 2404
Fax: +(41 22) 917 0038 or 917 0036
Telex: 412962 ONU CH

or

Mr. S. Shumkov
Academy of Mining Sciences
General Director
109147 Moscow
Russian Federation

Telephone: +(7 095) 278 4390
Fax: +(7 095) 911 5841

The *International Conference on Investment in Belarus* will be held in Minsk, on 25-26 June 1996. The Conference is organized by the Belarus Ministry of Foreign Economic Relations, with the assistance of the United Nations Conference on Trade and Development (UNCTAD), the British Know-How Fund, the Adam Smith Institute, and the United Nations Development Program (UNDP).

The conference organizers hope to: inform foreign business circles of the conditions and possibilities for foreign investment in Belarus; exchange experience in the promotion and utilization of foreign investment in transition economies; establish close business contacts with international and foreign investment-related organizations and private investors; assist foreign investors and Belorussian enterprises in establishing mutually beneficial cooperation, and provide assistance to Belorussian business in searching for potential investors.

Some of the topics discussed at the Conference will be: an elaborated system of state support and measures for the promotion of foreign investment in Belarus under the conditions of an emerging market economy; the legal, economic and social conditions of investment activities in Belarus; the formation of modern infrastructure serving foreign investments in Belarus; the experience of transition economies in attracting foreign investment; and the experience of foreign investors in Belarus.

Additional information may be obtained from:

Belarus Ministry of Foreign Economic Relations
Credit and Investment Department
29, Myasnikova Street
220050 Minsk
Belarus

Telephone: +(017) 220 9906
Fax: +(017) 227 3924
Telex: 25 21 25 GKVES SU

Recent publications

Investment Guide for Uzbekistan, OECD: Paris 1996.

This *Guide* was prepared for foreign investors under the auspices of the Uzbek Goskomprognonostat (State Committee on Statistics and Forecasting), the OECD and the United Nations Office in Uzbekistan. According to the Centre for Co-operation with the Economies in Transition (CCET), this publication constitutes the country's first comprehensive investment guide. It describes the policy framework for attracting foreign direct investment, the tax system, and the Government's investment priorities.

The *Guide* not only describes the environment for foreign investment, but makes a number of recommendations on how this environment might be improved. Thus, it argues that the transparency, coherence and stability of the legal framework be improved, the bureaucratic obstacles to licensing and registration be removed, and that the tax system ensure equitable treatment of foreign investors.

Other news items

Selected articles from past issues of *East-West Investment News* and subscription information are now available for viewing on the World Wide Web (WWW) at: *http://www.unicc.org/unece/trade/policy/ewin_hme.htm*.

Additional articles will be added as future issues of *EWIN* appear. The *EWIN* site contains links to other UN/ECE Trade Division Web pages, as well as to those created by other UN/ECE divisions.

The full text of the soon-to-be published *Financing private enterprises and trade: a guide for the transition economies* is now available for viewing on the WWW at: *http://www.unicc.org/unece/trade/policy/tp_home.htm*. under the heading "Privatization Guides".

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